

"The Badlands will demand OD practitioners hone their strategic skills and design capabilities to support executives to scan, scout and steer their organizations to the far foothills of the future."

The Badlands— Future's Tool Pack

By Mary O'Hara-Devereaux

Fast Forward to 2020...

The year is 2020 and you're one of the lucky ones—who successfully weathered the Badlands—the most significant upheaval since the Middle Ages a thousand years ago.

Global epidemic of potent virus kills 2 million people around the world

The global flow of people and goods increasingly spread viruses resistant to existing treatments. For the most part they could be controlled through local and regional quarantines—until the dread Virus X swept the world in 2011, rapidly killing over 2 million people in multiple countries. A draconian quarantine process was implemented and an economic crash ensued leaving the global economy in tatters years later.

U.S. Senate on the verge of a majority of women

Sensing that the United States was potentially on the downturn in 2006, several prominent women's organizations joined forces including Emily's List, C200, International Women's Forum, Women's Coalition for High Tech, Leadership America, and Leadership California to "take the senate." The populace, generally disgusted with the numbers of toxic leaders, responded to this grass roots political movement and began to vote in women senators from both parties who have maintained bi-partisan focus on passing critical new policies. On the eve of the election in 2016 it was forecast they would number 57 which would accelerate the implementation of their progressive agenda.

Japan rises as a military power

Japan rapidly builds up a modern military force in response to

anxiety about North Korea and China. A new generation of Japanese comes to power as the old World War II generation dies off. By 2020 China has greatly diminished its economic ties with Japan, attempting to isolate it economically. Taiwan and China re-unite fuelled by many things, but pushed to agreement because of the perceived Japanese military threat. The United States and China enter talks to collaborate on managing this new context.

Return to nuclear energy driven by rampant terrorism

After a decade marked by very ugly and frequent terrorism attacks on U.S. and European soil, the U.S. has been particularly hard hit with bio-terrorism, especially with the newly bio-engineered organisms and their horrible consequences. A global movement to rapidly increase alternative energy use is led by major governments to end dependence on Middle East oil. It takes hold quickly and grows fast fuelled by very significant investments in a full array of alternatives. The U.S. population throws its full support behind a massive investment in nuclear energy abandoning past concerns.

CONFERENCE CONNECTION

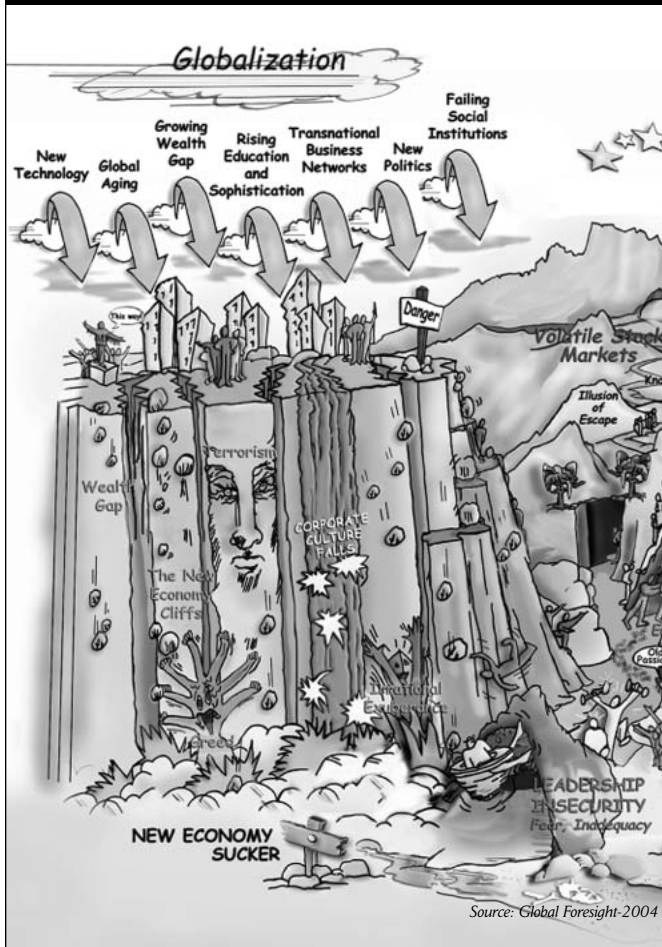


Mary O'Hara-Devereaux is a presenter at the 2005 OD Network Annual Conference in Minneapolis-St. Paul at the following session:

Future Trends, Complexity and Strategy

Monday, November 14,
1:45-3:00 pm

**Figure 1
SEVEN GLOBAL DRIVING FORCES TRANSFORMING
THE LONG-TERM BUSINESS ENVIRONMENT**



Navigating the Badlands is a metaphor for taking the journey through this challenging transition zone between the end of the industrial era and the full promise of the Information Age. The Badlands is the rugged stretch that bridges the past with the future, a time after massive structural shifts have rendered the old economy and its social foundations obsolete, and new values and structures are not yet firmly in place. In the Badlands we experience considerable pain and bewilderment as one way of life ends and we grapple with how to create the next.

WILD CARDS—A POWERFUL TOOL

Wildcards are always unsettling whether they are positive or negative. They are low probability, high impact trends or events like the snapshots of wild cards above. When a wild card happens, it cuts a severely disruptive pathway through the environment requiring totally new responses. In highly uncertain times, like we have in the Badlands, they are extremely valuable tools to have in your Futures Tool Box to expand peripheral vision and prepare for surprises.

WORKING WITH THE FUTURE

Thinking about the future in uncertain times is very challenging to executives who are used to making decisions based on historic data, and who find a spreadsheet their most useful tool. Business doesn't run solely on hard facts in the Badlands. The future won't resemble the past along major dimensions such as capital flows, jobs, technology, and strategies, to name a few. Leaders will need to rely on more subjective measures and tools such as scenarios, forecasts, and wildcards, as well as a set of new creative tools for long term thinking to guide a successful journey through this hostile and opportunity rich landscape.

Too few executives find the time to do the kind of futures thinking demanded by the Badlands. They are busy trying to survive through short term tactics. However, the very forces driving these responses have some long term consequences that demand systematic, contingent thinking. Leaders need to make sure their short-term tactics and long-term strategies don't cancel each other out. Focusing on the ebb and flow of the business cycle and the stock market, at the expense of understanding the bigger forces at play, will not produce a good outcome.

The OD practitioners of the future have a big role in supporting strategy. They need to be proficient at unpacking their Badlands Future Tool Pack to apply the right tool at the right time on a continuous basis.

OD PRACTITIONER FUTURE CAPABILITIES

The Badlands will demand OD practitioners hone their strategic skills and design capabilities to support executives to scan, scout and steer their organizations to the far foothills of the future. Practitioners will need to:

- Simplify complexity
- Forecast strategy decay
- Design 1st and 2nd Curve strategies simultaneously
- Design organizations for optimal risk management
- Create designs that change the context
- Develop designs that manage emergent strategies through the market-place
- Build designs that leverage temporariness and Velcro relationships
- Support women's leadership
- Weave webs
- Design for sustainability

READINESS TO THRIVE IN THE BADLANDS— GETTING TO THE FAR FOOTHILLS OF THE FUTURE

Even though the future is highly uncertain and unpredictable, you still need to anticipate it or risk some ugly surprises. Readiness to thrive comes from gaining proficiency at using two sets of tools aimed at getting you and your organiza-

tion the future you want. The first set includes some traditional tools that still work in the Badlands but they need to be supplemented by more creative thinking tools to help generate enough new ideas to fuel the best innovations and strategies for long term success.

**Traditional Future’s Tools—
Scenarios, Forecasts, Wild Cards**

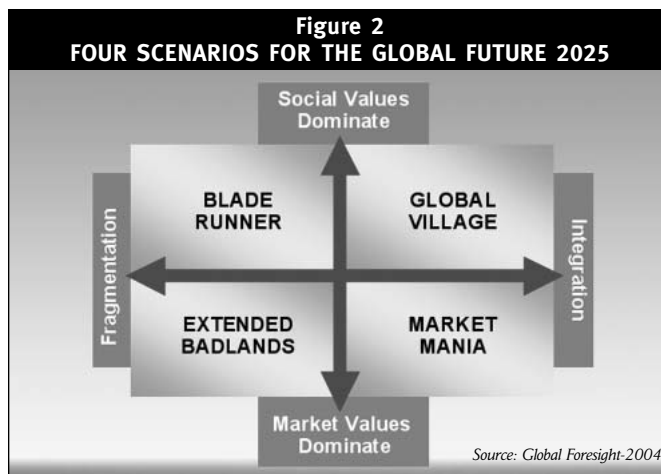
Scenarios, forecasts and wild cards are still very useful to help organizations think systematically about their future. Despite the fact that they have been around for 50 years, many leaders do them poorly and don’t leverage their synergy. Here are some tips for gaining more value from them.

Scenarios

This tool is most useful when there is a high degree of uncertainty in the external environment, plausible alternative trajectories the environment might take, and when it is possible to measure the driving forces and their impacts. Most CEO’s walk around with several unarticulated scenarios churning in their heads. It is better to systematically and fully develop them with a team.

Scenarios need to be plausible, logical, and internally consistent views of the future at the point in time for which they are being developed. Too often people develop scenarios by cobbling together several inconsistent elements. A scenario I recently saw included minimal use of fossil fuels in 2025 with no accompanying element of scalable, affordable, alternative sources of energy. For example, photovoltaic cells have some decent chances for advances in cost and performance, but affordability and cost per megawatt capacity will still be high.

A second common mistake is to create scenarios that are made up of information that is not particularly relevant to the decision maker. Off-the-shelf scenarios and big macro trends are



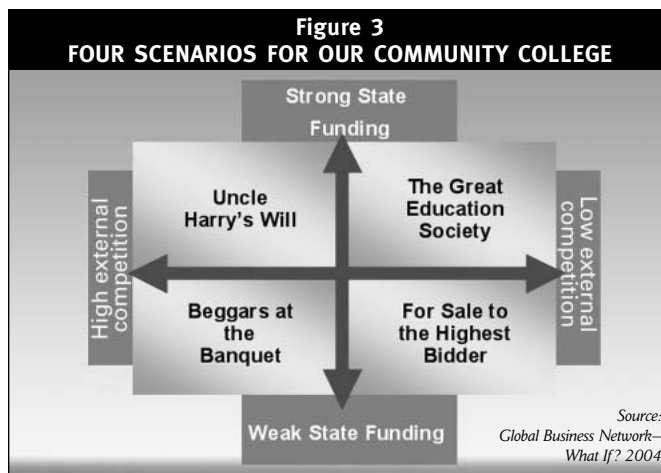
interesting but can only be useful if they are specifically analyzed for relevance to the situation. Although a broad global scenario set can be useful for thinking about the “big picture,” like the big choices we have about the options for the global society of the future (see Figure 2), for the most part they need to be tailored to the actual critical choices a specific organization is likely to face.

Take for example a community college looking out to the future in an era of rapid changes in higher education. Their strategic question was—should we get smaller in order to get stronger? A group of 25 diverse stakeholders built four scenarios around the two forces they saw as most critical to the long term future of the college: 1) the strength/weaknesses of state funding for education, and 2) the number, strength, and success of the college’s educational competitors (see Figure 3). In this example elements of each scenario emerged and, luckily, they had developed strategies and analyzed risks for each one that allowed them to manage the complexity with success.

A frequently asked question is—how many scenarios should we do? And who should develop them? You never want to have an odd number because people tend to choose the one in the middle. Choose either two or four to force the group to confront choices and to develop the scenarios to be distinct from one another. A key part of the process is to develop

AUTHOR

MARY O’HARA-DEVEREAUX, PhD, is the founder and CEO of Global Foresight, a think tank and strategy firm based in San Francisco. She is widely recognized as global futurist, forecaster and strategist who consults world-wide and gives keynote speeches in leading organizations and conferences. Mary has been a senior faculty member at the University of California, University of Hawaii, and the Institute for the Future. Currently she is at the Fielding Graduate University and Peking University. Her two most recent hot-selling books are *Navigating the Badlands—Thriving in the Decade of Radical Transformation* and *The China Five Year Forecast—Creating the New Marketplace*. Mary can be reached at mohara@global-foresight.net.



measures that indicate you are falling into the scenario. This forces people to think about a whole range of potential future indicators since no real data exists about the future. The best scenarios are done by a diverse group of people from within the organization at all levels joined by just a few outside experts. Scenarios should be done by people who will be affected by them, not solely by outside consultants.

You can't develop robust scenarios without identifying the key driving forces that will shape the future of the specific organization and its business. Driving forces are strong shifts, conditions external to your organization that will shape your future. They can be pre-determined forces, that is, they are known and will impact you, although how they will impact and interact with other driving forces may not be totally known. They can also be uncertainties.

The best way to identify driving forces is to involve key people in the organization who are close to the changes going on through interviews and brainstorming. In most situations you should have a range of drivers that include some demographics, social, technological, economic, industrial and political such as regulatory or policy. These drivers will impact the scenarios differently over time.

The process of developing the scenarios provides new learning to the whole group as they engage in rich, strategic conversations to create them. Ultimately, they will reveal key strategic issues, threats and opportunities that demand a response not just in the long term, but in the present. It is important to develop and calculate the risk for the organization in each scenario, including both the negative and positive impacts, and identifying the winners and losers.

Beware of the potential for confusion and lack of focus that can result from scenarios. Have people look for strategies that could play well in any environment, as well as encourage leaders to focus on the scenario they really want and how they can create it. In the Badlands there is plenty of white space and both imagination and creativity play very well.

Forecasts

Forecasts should be done at the end of the scenario process and focus on the most likely scenario for the future. It is not uncommon for the selected scenario to include some elements from the others. The purpose of forecasting is to create a coherent story from the scenario, one that gets the direction and pace of change correct. Forecasting is a demanding methodology and usually requires bringing in some outside expertise. It is good to start with identifying all the driving forces particularly those that are predictable in their growth and impacts such as demographics. Certain market forces and trends will have momentum and can be extrapolated. The more certain driving forces will form a robust base for the rest of the forecast and usually can be assembled by an internal team.

Pace of change is a difficult area to forecast and where people make the most mistakes. Be sure to map what things aren't changing in the environment as well. People tend to overesti-

mate driving forces in the short run and underestimate their long term effect—one of four laws of the future. The best way to get the pace of change correct is to build a case on historical facts, have a good analysis of the present and expert judgment for the future. Iterative expert judgment about the future is as reliable and valid as more quantitative methods and much easier to execute. Be careful of trying to forecast some very specific elements that can be altered by volatile external factors such as oil prices.

The future doesn't arrive everywhere at the same time.

The value of forecasting is not to predict what will happen, but to better understand how things will unfold given a certain set of drivers and trends. This sharpens executive thinking and decision making, both short and long term, and vastly improves contingent thinking. It builds capacity for creating emergent strategies and managing them through to the market also.

Wild Cards

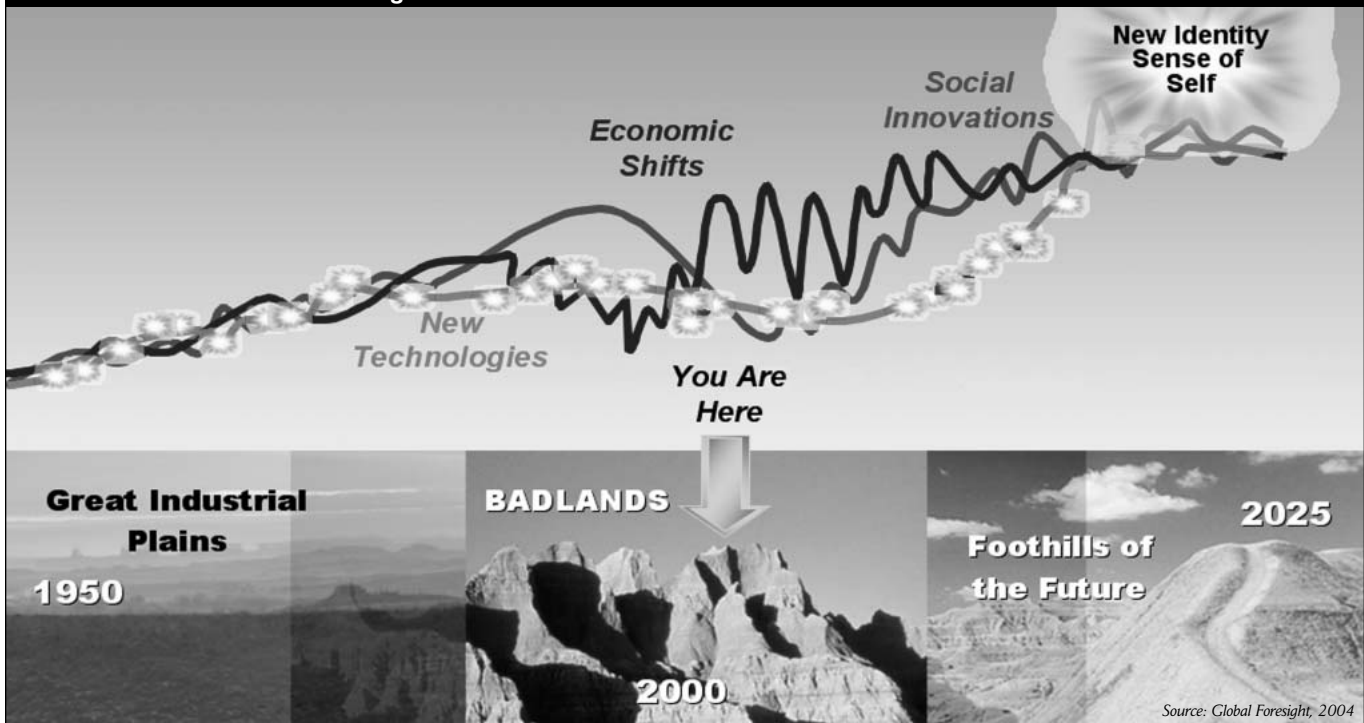
Wild Cards are useful in both highly uncertain and certain environments. A wild card is a trend or event that has a low (under 10%) or uncertain (simply unquantifiable) probability of occurrence within an explicit time frame. If it did come to pass, it would have a very high impact. Wildcards can be hard to calibrate, and people often generate probable incremental changes of present events instead of true wild cards. A wild card cannot be totally improbable either, or have zero chance of occurring. It is not uncommon for people to throw out wild cards of that nature that are not useful for looking at the future. For example, a wild card that stated big business would disappear by 2020 is simply not probable. Industries with large capital requirements and scale economies will always be around, such as aircraft, autos, and mining. They also have a lot of political clout and it is hard to make a case for any policy change that could hurt them enough to disappear.

The best way to begin to develop wild cards is to gather a group of diverse people in the organization and brainstorm events or trends that would compel your organization to change

WHEN NOT TO USE SCENARIOS

- The outcome is largely known due to internal or external forces
- The issue you are dealing with is not critical to key strategies long term
- Leadership is not open to change
- There is no time in the organization for reflective and creative conversations.
- It is unlikely you will find the resources to implement the results

Figure 4: HISTORICAL CYCLE OF DISRUPTIVE INNOVATION



its business model and strategy, or even it's purpose, that is, its *raison d'être*. Once you have 9-10 interesting possibilities, select 4 or 5 to fully develop that are the most relevant to your organization's future. These should be linked to the key strategic issues(s) you are facing long term. Then hold a strategic discussion about the implications if this wild card came to pass. What kind of strategic issues would this cause? What kind of changes would you have to make? What new uncertainties in your environment would likely surface? How prepared would you be to respond? Complete that process for each wild card and then look across all of them as a group to discover new insights you didn't see when just looking at one.

Wild Cards are very effective in providing executives with peripheral vision through examining a total range of possibilities. They offer a view of events beyond a mainstream forecast and help them prepare for surprises should they occur. And they are fun to generate and discuss.

ELEMENTS OF A WILD CARD

- A specific time frame, usually five or ten years out
- Catchy title or provocative phrase
- One paragraph description that lays the wild card out clearly
- A quantitative or qualitative indicator
- A paragraph describing the effects of a wild card, if it happened

Creative Tools for Long Term Thinking

There is no one future on the horizon when you are crossing the Badlands from one era to the next. This historic cycle of disruptive innovation turns everything upside down. See *Figure 4*. Those who use their imagination to create the future through thinking differently about it will be the winners. Most organizations have too few good ideas and too many old ideas that don't fit the new environment. Although proficiency at using the traditional tools in your tool kit is important, an equal amount of proficiency is required with a set of new creative tools for long term thinking. Here are some of those.

Dream First

Even before starting to use any other tools in your Future's Tool Kit you need to do some dreaming. New ideas are often a scarce commodity in many organizations. You cannot engineer breakthrough ideas. How many people in your organization dream about the day they will be considered the creative genius behind reinventing their industry?

Rekindling your imagination, curiosity, and spirit of innovation is critical in the Badlands. You can't discover new ideas if you are shackled by the old mindsets. You need to think differently about the future-not just see things differently but be different. Variation is critical to spark innovation and begins with people seeing things in new ways.

When was the last time you were really excited about a new idea in your organization? What capabilities do you have that are hard to copy and continuously feed you new inspiring ideas? Do you have a "yes, and" or "yes, but." culture? What do you do to support the creation and development of new ideas?

Look at your organization from 30,000 feet.

Understanding the big picture and how your organization fits into it is not optional in the Badlands. You can't see very much of what is happening from behind your desk. What you don't know, but could know is potentially quite dangerous. Look for it at the edges of your organization which you can only see if you get high enough. How long has it been since you have seen the edges of your organization? One of the lessons for the historical cycles of disruptive innovation is that change comes from the fringe and corruption and stasis grow in the center.. The edges of most organizations are inhabited by heretics and mavericks who are the most likely people to create the radical innovations that will create the new future wealth.

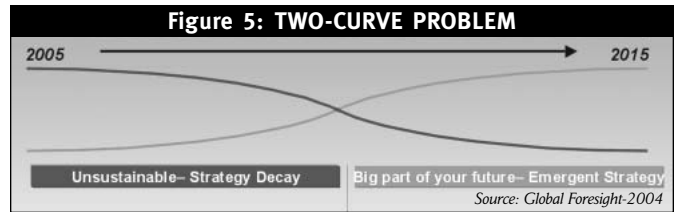
You can also see your organization in context of the whole landscape. It is from this view that CEO's can most clearly see their looming risk of strategy decay. All strategies decay but strategy decay is much faster in the Badlands. My colleague and fellow futurist J. Ian Morrison created a simple but profound concept called *the two curve problem* that can be seen more clearly from a big picture view. Let's say for example, that your business strategy is doing quite nicely but you have a gnawing suspicion that a new technology, global competitor or consumer shift could quickly undermine your First Curve business where you get your profit. At the same time you have several possible Second Curve emergent strategies that could take it's place, but you are unsure about exactly when and in which one to invest. You know that if you invest too fast and are early to the market you may not get a second chance. On the other hand, if you wait too long someone else is likely to gain the advantage. The *two curve problem* is a very powerful shorthand shortcut to thinking and talking about the future and will help you develop a portfolio of small experiments one of which will grow to replace the First Curve.

Trend Scouting

Most organizations look at trends from their industry in a routine analytical process and discuss their effect. This is fine if the status quo was going to remain for a long time. However, in turbulent times like we have today, "trend scouting" is the important, creative tool for successful long term thinking. With all the structural shifts at play in the economy and society, there are lots of trends that often are hard to make sense of, leaving even the smartest business people feeling bewildered. In the Badlands you always want to try to envision and imagine what the next big story will be. The future won't resemble the past... so what's the new story line?

A good practice is to build the habit of making lists of seemingly unrelated trends that are relatively new and think across them asking yourself, what are all the things this could mean? For example, what are some of the possible cross cutting themes from the following trends:

- Growth of single women in the U.S.
- Rapid growth in non-traditional households globally



- More women than men graduating from college around the world.
- New technology infrastructure fuels growth in small and medium size businesses and telecommuting
- Women's incomes have grown 30% in the last two decades while men's have stayed flat.

Women are the market today. It is imperative to know what women expect and desire when they are purchasing goods and services, or risk losing or not gaining your fair share of their business. Secondly, the change in defining a household, and even marriage, gets called into question. Take a moment and generate a list of the second and third order effects on your company. Think through each one these trends alone, and then look at them woven together.

Take your biggest problem and skip it

People in organizations are often preoccupied with how they are going to solve their current "biggest problems". Problem solving and creating innovative new ideas are diametrically opposed mental processes. In the Badlands people can spend so much time trying to solve their current problems that the environment shifts, making the problem irrelevant. Obsolescence of just about everything is a feature in the Badlands. Focusing too much on current problems makes people into crisis managers rather than opportunity explorers. The condition of obsolescence creates a lot of white space to fill with new products, services and industries. Courageous companies will encourage most top executives to simply skip focusing on current problems. Every company should bring people together and have them spend some time "skipping the solving of their current biggest problem" and create a picture of what happens to the company in those conditions.

This process helps people challenge their "official future" and break free from it as conditions change. Every organization has a set of assumptions about their future based on external conditions they identify as important and interpret in a certain way. Articulating this future, and what assumptions must be true to bring it about, is followed by asking the question, how could we be wrong about the official future? Work with these ideas until you have two truly divergent stories about your official future. These are often devised by different resolutions of the uncertainties.

Seek Collisions

Variety and diversity are absolutely critical to creating new value. One of the Eight Principles of Transformation in my *Nav-*

igating the *Badlands* book is to apply the principle *Seek Collisions*. Most companies today lack both the right people and the diversity of people needed to generate an adequate, continuous supply of new ideas. To collide is to crash or smash into something; to have an accident where something gets bent or changed or you have an “aha” moment. Today’s leaders need to place themselves in the intersection of multiple pathways and ideas; they need to be outposters in the most treacherous and prosperous canyons in the Badlands. Every company needs many new voices. Leaders need to learn to drink at dangerous waterholes. They need to form relationships such as alliances and ventures of all kinds where, with competitors and predators, they engage in business, be it investing in a new technology or forming marketing relationships that have the potential to make the whole pie bigger. In the Badlands there will be many strange bedfellows.

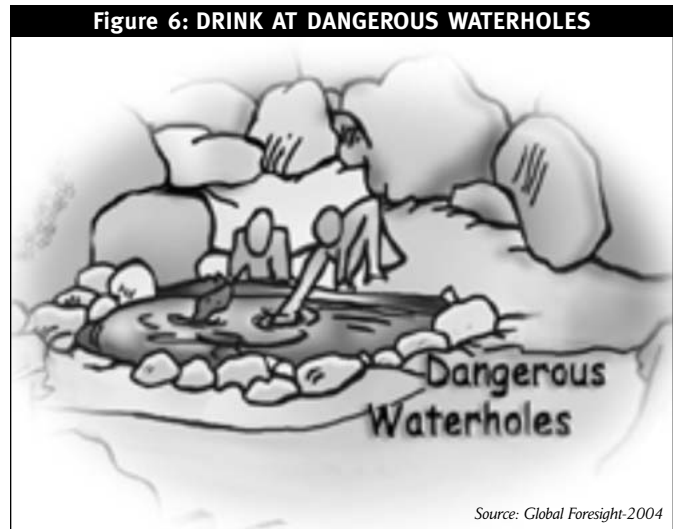
One collision every company is likely to have is with a fierce competitor. A good way to get ready for that inevitable moment is to gather a group of key internal people and have them ‘kill your cash cow’ or core business in at least two different scenarios, one centered around a known competitor and the other around a new entrant. This process will elicit a much richer, deeper, and more realistic understanding of the threats and opportunities that await you in the future.

Leapfrog over the tyranny of your served customer.

Demographics are king when they hit. We are in an era where there are many demographic changes affecting our world on a daily basis, from aging to the changing identity of women to the new prosperity of the Chinese. Many companies believe the mantra that the company should be customer led, but customers are notoriously lacking in foresight. Companies should delight their customers, have empathy with their needs, but leapfrog over the tyranny of their served market. Explore the discontinuities brought to all of us from the huge demographic shifts. In many industries there is a lot of strategy convergence and everyone is chasing the same customer. Competition can be so intense that you are blind to not just the availability of new customers but even the unarticulated needs of your existing customers.

PARTING THOUGHTS

In this age of overabundance and of readily accessible information, there is a strong tendency to confuse fads that are ephemeral and transitory with trends that have deep roots and are gathering force. The only way to create strategy that can be



successful in the Badlands is to systematically analyze the driving forces that are at work sculpting the landscape. Map them to your company’s strategy and vision, and make major course corrections at the very least, and whole new business models when demanded.

Given the 10-15 year forecast of severe turbulence, nobody can afford to be without a good Futures Tool Pack to support the journey everyone has to take. There is only the illusion of escape and although you can’t predict it, you can prepare for it. You don’t have to use methodology that is very complex to gain a clear picture of your future. In fact, complex methodologies often just confuse people and unnecessarily absorb a lot of resources.

Despite the difficulty of seeing clearly very far into the future, we need to treat the future with respect and help create a good one. Every one of us hopes to be spending quite a bit of time there.

“It is the first step in sociological wisdom, to recognize that the major advances in civilization are processes which all but wreck the societies in which they occur”

—Alfred North Whitehead ■

ACKNOWLEDGEMENTS

My thanks to:

- Tim Oren and Robert Mittman for their help in developing my current set of wild cards.
- My colleague, Ian Morrison’s research on the Two-Curve Problem, *Second Curve-Managing the Velocity of Change*.
- The Global Business Network for their past and current stellar work on scenarios.